

Message Text

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ACTION EUR-12

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USOECN AND USEEC ALSO FOR EMBASSIES
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SUBJECT: LEADING GERMAN BANKERS SCEPTICAL ON
TIGHTER EC MONETARY COOPERATION

1. TWO LEADING GERMAN BANKERS, GUTH OF THE
DEUTSCHE BANK AND CHRISTIANS OF THE DRESDNER BANK HAVE
EXPRESSED SCEPTICISM WITH REGARD TO CLOSER MONETARY
COOPERATION AMONG EC COUNTRIES AS WAS TALKED ABOUT AT
THE COPENHAGEN EC CONFERENCE ALTHOUGH BOTH AGREED IN
PRINCIPLE WITH AN EXTENSION OF THE SNAKE. GUTH SAID
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THAT THOSE EC COUNTRIES WITH FREELY FLUCTUATING
CURRENCIES FURTHER SHOULD STABILIZE THEIR ECONOMIES
BEFORE ENTERING THE SNAKE. HE AGREED, HOWEVER, THAT
CONDITIONS FOR THIS HAVE CLEARLY BECOME BETTER IN FRANCE
AND BRITAIN. IN GUTH'S VIEW THE CREATION OF A NEW
EUROPEAN MONETARY UNIT WHICH COULD PLAY A SIGNIFICANT
ROLE BESIDE THE DOLLAR AND THE YEN AREA, COULD ONLY BE

MADE ON THE BASIS OF A EUROPEAN MONETARY UNION. SUCH A UNION, HOWEVER, WOULD REQUIRE MUCH MORE THAN THE CURRENT LOOSE COOPERATION WITHIN THE EC.

2. CHRISTIANS OF THE DRESDNER BANK AGREED WITH THE INTENTIONS EXPRESSED AT THE COPENHAGEN CONFERENCE BUT MAINTAINED THAT THEY WOULD REQUIRE A FURTHER HARMONIZATION OF ECONOMIC AND MONETARY POLICIES WITHIN THE EC. ALTHOUGH FRANCE AND BRITAIN HAD ACHIEVED PROGRESS WITH REGARD TO DAMPENING INFLATION, THE EXISTING INFLATION DIFFERENTIALS WITHIN THE EC DO NOT PROVIDE CONDITIONS FOR A CLOSER MONETARY ASSOCIATION. IF THE FRG SHOULD SUPPORT CLOSER MONETARY COOPERATION, IT WOULD ONLY RUN THE RISK TO ENDANGER ITS STABILITY PROGRESS WITHOUT HELPING OTHER COUNTRIES.

3. WITH REGARD TO THE DOLLAR, GUTH STATED THAT A STABILIZATION OF THE DOLLAR COULD ONLY BE ACHIEVED BY WASHINGTON. HE NOTED THAT US POLITICIANS CURRENTLY APPEAR TO DESIRE A MORE STABLE US DOLLAR. WITH REGARD TO US LOANS ISSUED ABROAD TO FINANCE THE US BALANCE OF PAYMENTS DEFICIT, GUTH EMPHASIZED THAT, BEFORE FLOATING SUCH LOANS, CONFIDENCE IN THE DOLLAR SHOULD BE REGAINED. THE FLOATATION OF SUCH LOANS WOULD NOT HELP TO RECOVER CONFIDENCE IN THE DOLLAR BUT, ON THE CONTRARY, REGAIN OF CONFIDENCE IN THE DOLLAR WOULD BE A PRESUPPOSITION

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FOR SUCH LOANS.

4. WITH REGARD TO THE COMING BONN SUMMIT, GUTH SAID THAT THE "HEAVY THUNDER OF GUNS" AS PRECEDED THE MARCH ARRANGMENTS BETWEEN THE US AND THE FRG SHOULD BE AVOIDED. THE OBJECTIVE OF THE SUMMIT SHOULD BE A) TO PREVENT INCREASED PROTECTIONISM AND TIGHTER CAPITAL CONTROLS, B) TO PREVENT AN EASING OF CONTROL ON INFLATION BECAUSE OF FEAR OF INSUFFICIENT ECONOMIC GROWTH AND, C) AGREEMENT AMONG ALL PARTNERS TO REDUCE IMPEDIMENTS FOR GROWTH AND PROMOTE PRIVATE INVESTMENT. IN ANY CASE, SUMMIT PARTNERS SHOULD REFRAIN FROM PROMISING "BINDING" GROWTH RATES.

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